

**CHEROKEE VILLAGE WATERWORKS  
FACILITIES BOARD OF SHARP  
COUNTY, ARKANSAS**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**



**CHEROKEE VILLAGE WATERWORKS FACILITIES  
BOARD OF SHARP COUNTY, ARKANSAS  
DECEMBER 31, 2020 AND 2019**

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## **Independent Auditors' Report**

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To the Board of Directors  
Cherokee Village Waterworks Facilities Board of Sharp County, AR  
Cherokee Village, Arkansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cherokee Village Waterworks Facilities Board of Sharp County, AR (the Board), as of and for the year ended December 31, 2020, and the related notes to the financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherokee Village Waterworks Facilities Board of Sharp County, AR, as of December 31, 2020, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Prior Year Financial Statements***

The financial statements of Cherokee Village Waterworks Facilities Board of Sharp County, AR as of and for the year ended December 31, 2019 were audited by another auditor whose report dated April 30, 2020 expressed an unmodified opinion on those statements.

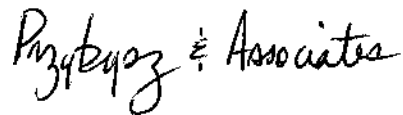
***Other Matters***

***Required Supplementary Information***

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2021, on our consideration of Cherokee Village Waterworks Facilities Board of Sharp County, AR’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board’s internal control over financial reporting and compliance.



**Przybysz & Associates, CPAs, P.C.  
Fayetteville, Arkansas  
February 27, 2021**

## ***FINANCIAL STATEMENTS***

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 266,175	\$ 184,000
Restricted cash and cash equivalents	573,980	371,207
Certificate of deposit	2,231	312,092
Restricted certificate of deposit	502,720	502,720
Accounts receivable net of allowance for doubtful accounts	64,898	23,337
Inventory	117,522	85,030
Prepaid insurance	1,865	6,254
<b>Total Current Assets</b>	<b>1,529,391</b>	<b>1,484,640</b>
<b>Net Capital Assets</b>	<b>4,065,720</b>	<b>4,118,735</b>
<b>Total Assets</b>	<b>5,595,111</b>	<b>5,603,375</b>
<b>Deferred Outflows of Resources</b>		
Deferred amount on refunding of debt, net of amortization	90,175	101,687
<b>Total Deferred Outflows of Resources</b>	<b>90,175</b>	<b>101,687</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 5,685,286</b>	<b>\$ 5,705,062</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 35,761	\$ 16,760
Payroll taxes payable	5,329	1,096
Accrued payroll	16,502	14,079
Accrued benefits	1,428	6,974
Sales tax payable	8,297	7,185
Accrued interest	5,864	6,318
Customer deposits	187,278	168,334
Current portion of long-term debt	215,780	210,435
<b>Total Current Liabilities</b>	<b>476,239</b>	<b>431,181</b>
<b>Long-term debt, net of unamortized bond discount</b>	<b>2,096,363</b>	<b>2,309,144</b>
<b>Total Liabilities</b>	<b>2,572,602</b>	<b>2,740,325</b>
<b>Net Position</b>		
Net investment in capital assets	1,843,751	1,695,727
Restricted	1,070,837	867,609
Unrestricted	198,096	401,401
<b>Total Net Position</b>	<b>3,112,684</b>	<b>2,964,737</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,685,286</b>	<b>\$ 5,705,062</b>

See accompanying notes to financial statements.

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
<b>Operating Revenue</b>		
Metered water sales, net of bad debts	\$ 1,181,780	\$ 1,144,010
Fire protection	177,832	177,653
Plumbing inspections	785	315
<b>Total Operating Revenue</b>	<b>1,360,397</b>	<b>1,321,978</b>
<b>Operating Expenses</b>		
Advertising	432	266
Bank and trustee fees	2,566	2,206
Chemicals	5,167	2,559
Contract labor	5,228	-
Depreciation	231,388	230,888
Dues and licenses	1,669	1,417
Employee benefits	93,987	160,472
Insurance	36,154	28,396
Laboratory fees	15,191	16,111
Office expense	10,878	10,548
Other operating expenses	2,039	994
Other taxes and licenses	9,929	8,824
Payroll taxes	31,425	32,153
Postage	13,771	10,990
Professional fees	12,365	9,919
Repairs and maintenance	108,997	99,667
Salaries and wages	389,705	405,256
Supplies	43,009	31,683
Technology expenses	5,714	6,435
Training and education	747	7,118
Uniforms	9,132	9,105
Utilities	80,784	81,939
Vehicle	26,717	26,482
<b>Total Operating Expenses</b>	<b>1,136,994</b>	<b>1,183,428</b>
<b>Net Income From Operations</b>	<b>223,403</b>	<b>138,550</b>
<b>Other Income (Expenses)</b>		
Interest income	12,035	26,489
Gain on sale of assets	8,027	-
Interest expense	(95,518)	(100,788)
<b>Total Other Income (Expenses)</b>	<b>(75,456)</b>	<b>(74,299)</b>
<b>Change in Net Position</b>	<b>147,947</b>	<b>64,251</b>
Net Position at Beginning of Year	2,964,737	2,900,486
<b>Net Position at End of Year</b>	<b>\$ 3,112,684</b>	<b>\$ 2,964,737</b>

See accompanying notes to financial statements.

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers	\$ 1,338,892	\$ 1,337,370
Cash payments to suppliers for goods and services	(520,620)	(552,830)
Cash payments to employees for services	(392,978)	(408,911)
<b>Net Cash Provided By Operating Activities</b>	425,294	375,629
<b>Cash Flows From Capital and Related Financing Activities</b>		
Cash paid for property, plant, and equipment	(180,585)	(97,586)
Cash received for sale of property, plant, and equipment	10,238	-
Repayment of debt	(210,435)	(205,104)
Interest paid on debt	(81,460)	(86,668)
<b>Net Cash Used In Capital and Related Financing Activities</b>	(462,242)	(389,358)
<b>Cash Flows From Investing Activities</b>		
Net (purchase) redemption of certificate of deposit	315,150	-
Reinvestment of certificate of deposit earnings	(5,289)	(3,160)
Interest income	12,035	26,489
<b>Net Cash Provided By Investing Activities</b>	321,896	23,329
<b>Net Increase In Cash, Cash Equivalents and Restricted Cash</b>	284,948	9,600
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	555,207	545,607
<b>Cash, Cash Equivalents and Restricted Cash At End of Year</b>	\$ 840,155	\$ 555,207
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 266,175	\$ 184,000
Restricted cash and cash equivalents	573,980	371,207
<b>Total Cash, Cash Equivalents and Restricted Cash</b>	\$ 840,155	\$ 555,207

See accompanying notes to financial statements.



# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>		
Net Income from operations	\$ 223,403	\$ 138,550
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	231,388	230,888
(Increase) decrease in:		
Accounts receivable	(41,561)	2,145
Inventory	(32,492)	3,785
Prepaid insurance	4,389	(5,340)
Increase (decrease) in:		
Accounts payable	19,001	(13,767)
Payroll taxes payable	4,233	(316)
Accrued payroll	2,423	5,485
Accrued benefits	(5,546)	952
Sales tax payable	1,112	331
Customer deposits	18,944	12,916
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 425,294</b>	<b>\$ 375,629</b>

See accompanying notes to financial statements.

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### Nature of Business

Cherokee Village Waterworks Facilities Board of Sharp County, AR (the Board) was created in 1993 by the Quorum Court of Sharp County. The purpose of the Board is to acquire, construct, maintain and operate a water system for the supplying of water to its customers in various areas within and near Sharp County.

### 1. Summary of Significant Accounting Policies

#### a. Basis of Presentation

The Board's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Board accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### b. New Accounting Pronouncements

The Board implemented the following accounting pronouncements during the year:

GASB Statement No. 83, *Certain Asset Requirement Obligations*. The purpose of this statement is to address accounting and financial reporting for certain retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance on the statement. Implementation of this statement did not have an impact on the financial statements.

GASB Statement No. 84, *Fiduciary Activities*. The purpose of this statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. Implementation of this statement did not have an impact on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The purpose of this statement is to improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Board adopted this statement during the year and added the appropriate disclosures in the footnotes.

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 1. Summary of Significant Accounting Policies

#### b. New Accounting Pronouncements (continued)

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Implementation of this statement did not have an impact on the financial statements.

#### c. Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Board. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### d. Income Tax Status

The Board is exempt from income taxes as a governmental agency.

#### e. Cash Equivalents

For purposes of the statement of cash flows, the Board considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

#### f. Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial/ industrial customers based on consumption. The Board extends credit for services provided to its customers for a limited period of time. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for doubtful accounts is estimated based on professional judgement and historical information. On December 31, 2020 the and 2019 the allowance for doubtful accounts balance was \$1,498.

#### g. Inventory

Inventory consists of supplies and repair parts for the operation and maintenance of plant and equipment. The amount recorded in these financial statements is estimated at cost using the first-in, first-out method.

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 1. Summary of Significant Accounting Policies (continued)

#### h. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

#### i. Capital Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals or relatively minor items are charged to expense as incurred.

	Life
Building	40 years
Transmission system	5-50 years
Equipment	7-20 years
Transportation equipment	5 years

It is the Board's policy to capitalize asset purchases equal to or more than \$2,500. Expenditures of less than \$2,500 are expensed at the time of purchase.

#### j. Deferred Outflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price and is amortized over the shorter of the remaining life of the old debt or the life of the new debt.

#### k. Compensated Absences

Employees earn vacation in varying amounts based upon length of service with the Board. In addition, employees earn three personal days and two weeks of paid sick leave if needed, after all vacation and personal time has been used. Unused sick and personal time cannot be carried forward from year to year and unused vacation can only be carried forward with Board approval. Therefore, no accrual has been made for compensated absences at December 31, 2020 and 2019.

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 1. Summary of Significant Accounting Policies (continued)

#### I. Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are non-interest bearing and refundable to customers when the Board no longer serves the customer. The Board uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

#### m. Net Position

Net position of the Board are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net invested in capital assets".

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

#### n. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Board. Operating revenues consist primarily of water sales and fees for miscellaneous services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities.

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 1. Summary of Significant Accounting Policies (continued)

#### o. Advertising

It is the Board's policy to expense all advertising costs as incurred.

#### p. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### q. Reclassifications

Certain 2019 amounts have been reclassified in order to conform with the 2020 financial statement presentation. Total net position and changes in net position are unchanged due to these reclassifications.

### 2. Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, a Board's deposits may not be recovered. The Board follows the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

The bank balances and carrying amount of the Board's deposits held were as follows:

Description	At December 31, 2020		At December 31, 2019	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Collateralized - held by pledging bank or pledging bank's trust department in the Board's name	672,634	804,265	713,600	869,919
Uninsured	-	40,741	-	-
Cash on hand	-	100	-	100
<b>Total</b>	<b>\$ 1,172,634</b>	<b>\$ 1,345,106</b>	<b>\$ 1,213,600</b>	<b>\$ 1,370,019</b>

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 2. Cash Deposits (continued)

Deposits as reported in the following statement of net position captions:

As Of December 31,	2020	2019
Cash and cash equivalents	\$ 266,175	\$ 184,000
Restricted cash and cash equivalents	573,980	371,207
Certificate of deposit	2,231	312,092
Restricted certificate of deposit	502,720	502,720
Total	\$ 1,345,106	\$ 1,370,019

The Board does not believe that there is any significant risk associated with the concentrations of credit nor has the Board experienced any losses in such accounts.

### 3. Restricted Accounts

The Board has restricted accounts for the following:

Depreciation accounts - restricted for the purpose of reserving funds to make necessary repairs and improvements to the water system.

Meter Deposit Account - restricted for repayment of customer meter deposits.

Debt Service Reserves / Bond Fund - restricted for maintaining a debt service reserve and payment of principal and interest on bonds.

Balances of the restricted accounts are as follows:

As of December 31,	2020	2019
Restricted checking accounts:		
Depreciation account	\$ 228,150	\$ 36,540
Meter deposit account	187,278	168,334
Restricted interest bearing business accounts:		
Bond fund	25,722	33,503
Debt service reserve	132,830	132,830
Total restricted cash and cash equivalents	\$ 573,980	\$ 371,207
Restricted certificate of deposit:		
Depreciation account	\$ 475,000	\$ 475,000
Debt service reserve	27,720	27,720
Total restricted certificate of deposit	\$ 502,720	\$ 502,720

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 4. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2020	Additions & Contributions	Retirements/ Transfers	December 31, 2020
Land	\$ 130,708	\$ -	\$ -	\$ 130,708
Transmission and distribution	3,357,945	13,113	-	3,371,058
Improvements	3,423,121	-	-	3,423,121
General plant	437,325	7,602	60,911	384,016
Pumping plant	273,921	12,308	-	286,229
Building	648,806	7,120	-	655,926
Service of supply	74,211	-	-	74,211
Hydrants	207,751	-	-	207,751
Telemetry equipment	124,057	-	-	124,057
Itron meter	115,603	-	-	115,603
Vehicles	284,038	98,401	10,520	371,919
Office equipment	-	36,231	-	36,231
Construction in progress	-	5,810	-	5,810
<b>Total Capital Assets</b>	<b>9,077,486</b>	<b>180,585</b>	<b>71,431</b>	<b>9,186,640</b>
Less: Accumulated Depreciation	4,958,751	231,388	69,219	5,120,920
<b>Net Capital Assets</b>	<b>\$ 4,118,735</b>	<b>\$ (50,803)</b>	<b>\$ 2,212</b>	<b>\$ 4,065,720</b>

As Of	January 1, 2019	Additions & Contributions	Retirements/ Transfers	December 31, 2019
Land	\$ 130,708	\$ -	\$ -	\$ 130,708
Transmission and distribution	3,273,126	84,819	-	3,357,945
Improvements	3,423,121	-	-	3,423,121
General plant	433,739	3,586	-	437,325
Pumping plant	268,019	5,902	-	273,921
Building	648,806	-	-	648,806
Service of supply	74,211	-	-	74,211
Hydrants	207,751	-	-	207,751
Telemetry equipment	112,233	11,824	-	124,057
Itron meter	115,603	-	-	115,603
Vehicles	284,038	-	-	284,038
Construction in progress	8,545	-	8,545	-
<b>Total Capital Assets</b>	<b>8,979,900</b>	<b>106,131</b>	<b>8,545</b>	<b>9,077,486</b>
Less: Accumulated Depreciation	4,727,864	230,887	-	4,958,751
<b>Net Capital Assets</b>	<b>\$ 4,252,036</b>	<b>\$ (124,756)</b>	<b>\$ 8,545</b>	<b>\$ 4,118,735</b>



# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 4. Capital Assets (continued)

Construction in progress of \$5,810 at December 31, 2020 is for a water service project to a local store and for the refurbishment/replacement of a water tank. The water service project was completed in January at a total cost of \$3,680. The tank refurbishment/replacement is expected to cost approximately \$10,000 and will be completed in later in 2021.

### 5. Long-Term Debt

Long-term debt of the Board consists of:

AS OF DECEMBER 31,	2020	2019
Rural Development - note dated November 4, 2009 in the amount of \$600,000. Payments in the amount of \$2,268 are made monthly including interest at 3.25%. The note is secured by revenues of the system and is scheduled to mature in 2050.	\$ 510,646	\$ 521,081
Revenue Refunding Bonds Series 2012, dated November 14, 2012, in the amount of \$3,135,000. Principal payments are made in annual installments ranging from \$175,000 in 2013 to \$255,000 in 2028. Semi-annual interest payments are made with rates varying from 1.00% to 3.50%. The bonds are secured by revenues of the system with final maturity on December 1, 2028.	1,825,000	2,025,000
Total long-term debt	2,335,646	2,546,081
Less current maturities	215,780	210,435
Long-Term Debt	2,119,866	2,335,646
Less unamortized discount on 2012 Series bonds	23,503	26,502
Long-term debt, net	\$ 2,096,363	\$ 2,309,144

Activity of long-term debt consists of the following:

As Of	January 1, 2020	Additions	Retirements	December 31, 2020	Due Within One Year
Rural Development \$	521,081	\$ -	\$ 10,435	\$ 510,646	\$ 10,780
Revenue Refunding Bond 2012	2,025,000	-	200,000	1,825,000	205,000
Total	\$ 2,546,081	\$ -	\$ 210,435	\$ 2,335,646	\$ 215,780

# CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 5. Long-Term Debt (continued)

As Of	January 1, 2019	Additions	Retirements	December 31, 2019	Due Within One Year
Rural Development \$	531,185 \$	- \$	10,104 \$	521,081 \$	10,435
Revenue Refunding					
Bond 2012	2,220,000	-	195,000	2,025,000	200,000
<b>Total</b>	<b>\$ 2,751,185 \$</b>	<b>\$ - \$</b>	<b>\$ 205,104 \$</b>	<b>\$ 2,546,081 \$</b>	<b>\$ 210,435</b>

Principal is scheduled to mature as follows:

December 31,	Principal	Interest	Total
2021	\$ 215,780	\$ 76,116	\$ 291,896
2022	221,135	69,611	290,746
2023	226,502	62,944	289,446
2024	236,882	55,899	292,781
2025	242,274	48,307	290,581
2026-2030	807,716	120,449	928,165
2031-2035	79,647	56,433	136,080
2036-2040	93,680	42,400	136,080
2041-2045	110,961	25,894	136,855
2046-2050	101,069	6,893	107,962
<b>Total</b>	<b>\$ 2,335,646</b>	<b>\$ 564,946</b>	<b>\$ 2,900,592</b>

Each of the District's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the District on behalf of the issuer until all defaults have been cured; assessing additional interest, penalties and other charges; pursue any remedy by law to enforce payment of principal and interest.

### 6. Rate Covenant

The Trust Indenture of the 2012 Series Bonds contains a provision (the Rate Covenant) which requires the Board to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) make all required deposits into the Debt Service Reserve Fund, and (3) leave a balance equal to 110% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity obligations. For the years ended December 31, 2020 and 2019, the Board had sufficient revenues to meet the covenant.

# **CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

### **7. Bond Discount Costs and Deferred Loss on Refunding**

Bond discount costs incurred in connection with the issuance of the 2012 Series revenue refunding bonds are being amortized over 16 years. Amortization of the bond discount totaled \$3,000 for both years ended December 31, 2020 and 2019, and is included in interest expense on the statement of revenues, expenses and changes in net position. The unamortized portion of \$23,503 and \$26,502 at December 31, 2020 and 2019, respectively, is netted with long-term debt.

The deferred refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at December 31, 2020 and 2019 was \$90,175 and \$101,687, respectively and is shown as deferred outflows on the statement of net position and is being amortized over sixteen years. Amortization of the deferred refunding loss was \$11,512 for both years ended December 31, 2020 and 2019, and is included in interest expense on the statement of revenues, expenses and changes in net position.

### **8. Concentrations of Credit Risk**

Financial instruments that potentially subject the Board to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

### **9. Retirement Plan**

All full-time employees who meet eligibility requirements and so elect can participate in the Board's 401(k) Retirement Plan. The Board has the authority to establish and amend the plan documents as necessary. American Funds is the plan trustee. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

The Board matches employee contributions up to 3% of the employee's pay. No funds are deposited by the Board unless the employee makes a contribution. Retirement employer matching contributions by the Board for the years ended December 31, 2020 and 2019, were \$6,707 and \$10,709, respectively.

In addition, the Board may make an additional elective discretionary employee contribution to the Plan. The Board made additional elective contributions to the Plan totaling \$12,200 and \$50,816 during the years ended December 31, 2020 and 2019, respectively.

# **CHEROKEE VILLAGE WATERWORKS FACILITIES BOARD OF SHARP COUNTY, ARKANSAS**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

### **10. Risk Management**

The Board is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board carries commercial insurance for all other risks of loss, including workers' compensation insurance and employee health and accident insurance.

There has been no significant reduction in the Board's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Board's coverage in any of the prior three fiscal years.

### **11. COVID-19**

On March 11, 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic. The spread of COVID-19 continues to cause global economic uncertainty as of the date of this report. The Board has been able to remain open throughout the pandemic to continue servicing its customers. The financial impact on the Board could be a decrease in revenues due to an inability of customers to pay water bills caused by increased unemployment levels, however, there has not been any significant decrease to date. The Board waived customer late fees for and did not disconnect any customers for non-payment for the months of March through May. The Board does have a significant increase in accounts receivable from the prior year, however it is due to a change in billing rather than delinquent customer balances. The Board also increased its inventory of repair parts due to fears of supply chain interruptions. The Board continues to monitor its operations, liquidity, and capital resources to minimize the current and future impact of this unprecedented situation.

### **12. Subsequent Events**

The Board has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2020 through February 27, 2021, the date the financial statements were available to be issued. On February 25, 2021, the Board issued and sold Water Revenue Refunding and Improvement Bonds, Series 2021 in the amount of \$2,290,000. The bond proceeds will be used to defease the Board's outstanding Water Revenue Refunding Bonds, Series 2012 that have a current outstanding balance of \$1,841,080. An additional \$400,000 will be deposited into a construction fund account for the purchase and installation of certain improvements to the waterworks system, including the repair and replacement of items on the Cheyenne water tank, a new mapping system with hand held GPS, a backhoe, trench box, and other equipment. The remaining funds will be used to establish a debt service reserve and to pay bond issuance fees.

***ADDITIONAL REPORT***



**Independent Auditors' Report On Internal Control Over Financial Reporting  
and On Compliance And Other Matters Based on An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

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To the Board of Directors  
Cherokee Village Waterworks Facilities Board of Sharp County, AR  
Cherokee Village, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cherokee Village Waterworks Facilities Board of Sharp County, AR, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 27, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cherokee Village Waterworks Facilities Board of Sharp County, AR's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

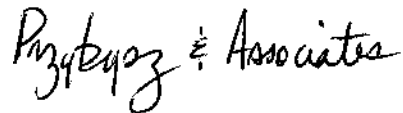
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cherokee Village Waterworks Facilities Board of Sharp County, AR's financial statement are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Przybysz & Associates, CPAs, P.C.**  
**Fayetteville, Arkansas**  
**February 27, 2021**